

MOTIVATION OF PEOPLE - THEORETICAL MODELS AND PRACTICES

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Abstract: Numerous researches show how motivation of employees influence the labor productivity, business performance and goal achievement. Even though studies often show that employees tend to report enjoying their jobs, however organisations continuously face with staff turnover due to various reasons, and therefore fail to fulfill its objectives. This paper reflects upon classical and modern views of motivation aspects. And the research includes different entities all around Kosovo that bring an insight into the present situation pertaining to motivation of employees and possibly identify potential mistakes and suggestion for the process improvements within organisations. According to results, the turnover average rate in investigated enterprises is within a natural range. Meanwhile the, management is advised to make the employees aware that rewards are recognition of a job well done and not simply the goal of doing the work. Whilst, bonuses in cash prevails dominantly the motivation system in investigated enterprises, many of them seem to use evaluation of performance as a tool for remuneration policy. Whereas in most cases remuneration depends on the annual profit of the enterprise, reasons for leaving are not being recorded in a system. Yet, financial incentives are an important motivator for most people, money is not the only motivator and, in some cases, is not the primary motivator for everyone. A qualitative approach and theory based application were considered for this study.

Key words: motivation, job satisfaction, staff turnover.

JEL: M5, M12, M52.

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Introduction

Motivation is represented by the forces that operate on or within a person and that compel him to behave in a manner of set, goal-oriented. In other terms, when managers reward certain kinds of behavior (whether it's good or bad for the organization), that's what they'll get more of. For example, let's say that a manager would like its employees to take more initiative in their jobs and make and implement more suggestions for improvements to company systems and procedures. The way to get more of this kind of behavior is to reward employees, using anything from simple verbal praise to cash or other financial means, whenever they take initiative in their jobs and make and implement suggestions for improvement. It's a simple idea, and it works. On the other hand, managers have to be very careful that they are not rewarding the wrong employee behavior (Nelson & Economy, 2005). Human motives are based on needs: conscious, unconscious or subconscious. Some needs such as water, air, food and housing are considered primary. Whilst, need for self-respect, love, power and entertainment can be considered secondary. Different people have different secondary needs. They may vary in intensity and time. Motivation is general concept that refers to a group of instincts, wants, needs, wishes and demands. To say that the HRM aspires after successful motivation of employees means that it does things to satisfy their wishes and demands to stimulate them to act in the spirit of the organisation. Peoples' knowledge and their creative potential hold the place that once in the business world was held by the capital. The interest of motivation basically has three reasons: improvement of labor productivity, efficiency and creativity, improvement of quality of working hours, strengthening of competitive ability and business efficiency of the organisation (Bahtijarevic, 1999).²

² Bahtijarevic cited in Bosnjak S, (2010), "Human Resource Management of the city of Vinkovci, communication as a key to a successful motivation of employees", paper (p.321-327), International Conference, University of Pristina;

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1. Problem formulation

By realizing that people are the initiators of each organization, big companies followed by other organizations started working on systematic education, specializations and motivation of the employees. The purpose of that was to provide well trained and well-motivated employees in order to make and develop a company of great quality which would remain competitive with other companies. In the time of constant changes in technology as well as the increase of the complexity of jobs and need for further education and acquiring skills it becomes an imperative to make employees stay for long time. Human resources management is a complex system which enables the company to follow, shape and fully use the present human resources with minimal expense. Continuous education and the creative application of the newly acquired knowledge in solving the present and the future problems as well as the motivation of the employees, is the philosophy hardly known and applied within an organisation. However, nowadays organisations continuously face with staff turnover due to various reasons, which is a well-known fact. A high turnover rate at first glance shows the lack of motivation of employees due to various reasons. The high turnover it also prevents the creation of an efficient work team, negatively impacts corporate culture and increases the budget for personnel: recruitment, selection, adaptation and training. Due to high turnover, service levels suffer, and labor productivity declines. But the lack of fluidity also raises a number of problems. Stagnation occurs in enterprises associated with career shortages and sometimes the professional development of employees and, as a result, the stagnation of the company itself. It is logical as well as many authors' states that the lack of motivation leads to employee turnover, since the human nature always seeks and run after satisfaction preferring happiness (Deighan, 2016, p. 6). However, employee turnover is well known as a serious problem for organisations that are keen to retain skilled and talented employees. The high costs associated with recruiting, selecting, and training new employees can hurt the bottom line of businesses. Yet studies often show that employees tend to report enjoying their jobs. The Society for Human Resource Management (SHRM, 2014), for example, found that more than 80% of U.S. employees are satisfied in their

current jobs. The study also explained that employees often feel respected at work, they trust senior management, and most get along well with their bosses. Hence, a question yet requesting answer would be: *Why employees continue to leave their jobs even though reported to be relatively happy with their jobs?*

Currently, staff turnover in management theory is understood as the workflow caused by the dissatisfaction of an employee with a job or the dissatisfaction of an organization with a particular employee. Hence, a general answer would be due to lack of employee motivation to stay and not leave. Whilst, the present review of the literature from the past decade was mainly intended to provide information to academics and practitioners looking to reduce turnover, this study would reveal the indicators leading to lack of motivation and consequently causing the staff turnover in an organisation. Possible mistakes of management regarding motivation could then be disclosed. However, research question for this study is:

Which tools enterprises in Kosovo use mostly as an incentive to motivate employees in workplace?

2. Theoretical frame

Currently, almost all people use the terms in everyday language "Motivation." Each one has more or less a set of words with which one can define motivation. Among them, most often used are; desire, need, demand, objective, purpose, incitement, inclination to..., hope, expectation, etc. Nonetheless, motivating employees is what it's all about, and, while managers can't reach into someone's head and turn on his or her motivation switch, by using rewards and recognition, they can create the kinds of conditions that will result in encouraged employees.

Motivation can be divided into three psychological sets of behavior that are related to each other. Individual choices are driven by diligence, which reminds employees of their unfulfilled needs. The choice taken will make an employee change their behavior in order to be in the right path, which then would allow them to achieve those needs. And finally, the chosen

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specific behavior will continue to repeat until those needs and desires are fulfilled (Lauby, 2005).

There are three main motivation theories: reinforcement theories, content theories and process theories. Reinforcement theories emphasize the linkage between individual behavior and some specific outcomes to show how managers can alter the direction, level, or persistence of individual actions. They focus on the observable rather than what is inside an employee's head. Reinforcement finds that rewards and punishments (carrot or stick) serve as a tool to ensure that people behave or act in a desired way (Robbins & DeCenzo, 2011).

Theory of content focuses on motivating content, primarily on individual needs - the physiological or psychological deficiencies that we feel a compulsion to reduce or eliminate. It finds that the content of motivation consists on needs, identifies the main needs that influence behavior and adequate measures must be taken in order to satisfy them. Four of the better known content theories have been proposed by Abraham Maslow, Clayton Alderfer, David McClelland, and Frederick Herzberg. Each of these scholars offers a slightly different view of the needs individuals may bring with them to work. How motivation comes about and how it leads to satisfaction is explained by process theories. In process theory, the emphasis is on psychological processes or forces that affect motivation. This theory is people's perceptions of their work environment and the ways in which they interpret and understand it. (Saif, K.F., Nawaz, A., Jan, A. & Khan, 2012, pp. 1382-1396)

Given the importance of employee motivation in the company's success, in the following are given some techniques that management need to pay attention in order to achieve the desired tasks.

- **Financial incentives** - it is a powerful force because it is linked directly or indirectly to the satisfaction of certain needs, such as basic necessities for existence and security. But, it can also satisfy the needs for respect and status. Money can be an important factor in attracting quality people to the organization and is one of the factors affecting the retention of existing workers. But the payment system designed and poorly managed can demotivate employees (Armstrong, 2014, p. 363)

• **Effective communication manager** - communication positively influences the satisfaction of worker's needs. It is important that the leader masters non-verbal and verbal communication (Cartwright, 2002, pp. 5-8). Weak communication without any criteria between the manager and workers is a major cause of conflict and low ethics at work. (Llaci, 2001, pp. 239-301).

• **Involving employees in decision-making** - especially those decisions that will affect those workers' participation in decision-making is considered a very important factor in motivating employees. Workers are delighted when they feel that they belong to the organization, thus contribute more and are devoted to achieve the organization's objectives. Managers should let employees decide for themselves about issues that directly affect them, such as: plan of working hours, setting of objectives, the choice of their benefits packages, sorting and productivity problems. So, it is believed that managers should apply partnership with workers in decision making processes (Armstrong, 2014, pp. 193-201).

• **Development and promotion of workers** - staff development is an important phase of employee retention. If an employee knows that the company is ready and wants to train him, help him grow professionally and is ready to secure his career growth, then he will most likely not quit. Most people want to learn and enhance their job skills. Increasing motivation causes a promotion, another job, a new position or leadership role. Motivating employees can be improved by providing the opportunity to challenge and advance within the company. One way to keep personnel highly motivated and full of energy and enthusiasm should be offered to those tasks that provide a sufficient range of professional development also provide chances to train workers with technology and recent developments related to the work. These activities make it possible to achieve goals related to professional work, and they, to work towards the advancement of the company, to enrich their work roles and functions to achieve greater accountability and trust, gain recognition and increase more interest in their work. Training is crucial to retaining staff and prevents them to seek work elsewhere, enabling them to achieve their career goals within their enterprise (Lane, W. Henry. et al. editors , Maznevski M., Mendenhall M., and McNett J., 2002, p. 261).

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• **Creating working schedule and conditions** - use of alternative working hours as well as ways to change the number of working weekday's aims to allow workers to coordinate the working hours or working week days to better meet their needs. Various alternatives applied in practice are:

- ✓ Shortening the work week;
- ✓ The flexibility of the daily schedule;
- ✓ Working with two consecutive shifts;
- ✓ The division of labor;

Concerning conditions, it is advisable that management must create a working environment more pleasant to work. This can be done by providing a clean environment, well-equipped with coffee and food, have enough space to work, the availability of supervision activity, raising the dress code (to make a more professional environment) or ease of code dress (to promote a comfortable working environment). Lighting, calm, parking, equipment and tools for work are important elements that contribute to the satisfaction of workers, which leads to motivation at workplace (Schermerhorn John, Hunt James, Osborn Richard, 2002, p. 162)

• **Restructuring work** - restructuring work, it refers to the set of activities that include alternating specific works or interdependent systems works with the aim of improving quality performance productivity at work. The labor restructuring as a factor in employee motivation includes job enrichment, expansion of duties and job rotation: (Kreitner R. & Kinicki A., 2002, p. 48).

✓ Job enrichment is designing works that will enable the development of workers, giving them more responsibility and control over their work. It is often referred to as vertical work load, because employees are given some responsibilities that belong to their supervisors. The enrichment work is aimed at enhancing intrinsic motivation.

✓ Expansion of duties is to increase the number of tasks to perform a worker, but keeping track of all tasks at the same level of difficulty and responsibility. This is also called horizontal loading work because the content of a work is expanding, but the difficulty scale remains same.

✓ Job rotation includes the movement of workers in various positions in the organization in an effort to expand the skills, knowledge and

abilities. This way, managers believe they can stimulate the motivation of workers because their work becomes more interesting.

- **Fair division of rewards** - these are rewards, awards, payouts for sports or various courses, informal meetings, etc. This is not only a financial incentive, but also an indicator that you value employees and are willing to do something for them that exceeds your legal obligations as an employer. Job satisfaction often results from the fair sharing of rewards made by the manager. The individual will compare its rewards with the perceived inputs. If rewards are equal to or greater than the perceived ones, the individual will feel satisfied. Therefore, managers should take steps to the awards ceremony to be fairly and consistent with the expectations of employees, which will contribute to maintain job satisfaction (Bruce, 2003, pp. 23-24).

- **Increasing employees' loyalty** - management should use questionnaires and surveys, allow employees to influence the adoption of decisions that are important to them (though not all), organize team building events and trainings, track potential negative feedback and opposition, and work with them. Forms in the pride of employees belonging to a company, a team. If staff are proud to be a part of the company, then employees will be far less likely to leave (Nelson & Economy, 2005, pp. 59-75).

- **Evaluation of performance** – performance-based payment / remuneration in literature may encounters as well with the term P4P (pay for performance), Performance evaluation is considered to be a difficult issue for management in public and private sector. Assessment programs cover a wide range of activities. Many companies individual and group achievements appreciate in material form, but some others created a culture of thankfulness only to evaluate a job like “well done”. These courtesy may seem simple, but a trace of workers can have a major impact on organizational ethics. It is believed that the evaluation of employees can reduce the employee turnover (Kume, 2002). Personnel management measurements should include an integrated approach. Ideally, it should first identify the cause of the problem, doing a survey, studying the statistics, registering the causes of turnover, etc. It is however recommended to use some techniques in order to promote motivation, which are: (Aguinis, 2005); (Nelson & Economy, 2005); (Mustafa, 1997);

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- ✓ *Salary increase.* Performance appraisal plays a role re salary increase;
- ✓ *Promotion.* Promotion and appraisal must be linked. Most organizations often use a combination of merit and seniority for promotion, appraisal discloses how an employee is working;
- ✓ *Training.* Performance appraisal tries to identify the strengths and weaknesses of an employee on his present job;
- ✓ *Feedback.* Performance appraisal provides feedback to employees about their performance. It tells them where they stand and what to improve;
- ✓ *Pressure on Employees.* Performance appraisal puts a sort of pressure on employees for better performance, and thus can work as control device;
- ✓ *Conflict resolution.* You should not expect that the tense situation will correct itself. If two valuable employees cannot be involved in one department, it may be worth moving one of them to another;
- ✓ *Development of management policies.* This is probably the most difficult because it involves working not with employees, but with leaders/managers;
- ✓ *Correct working conditions.* People spend roughly nine hours a day in the office, and if during this time they feel uncomfortable, they will start looking for more comfortable conditions (Laegaard & Bindslev, 2006).

3. Empirical findings and discussion

The conducted research with all types of organisations around Kosovo included 101 different ownership types of entities, which operate in various sectors. The survey was sent and filled electronically by each respondent within two months period of time, and which was closed in November 2019. The respective research reveals the link between remuneration policies, staff appraisals as well as staff turnover and its impact on employee motivation. In the following are presented some of collected data affecting motivation.

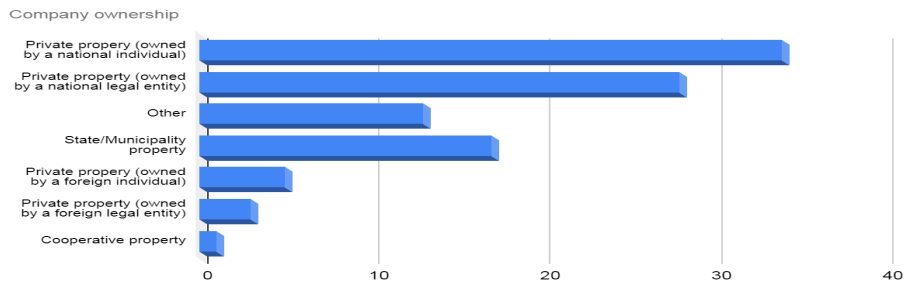


Figure 1. Company ownership

In the above figure is shown number of entities with specific type of ownership. The most of respondents belong to private property owned by a national individual, followed by national legal entity. Eighteen organizations declared to be owned by State or Municipality, while the category other does not specify the type of ownership. The respondents operate nationally and internationally in various sectors of economy, such are: production, financial services, transportation, IT services, hotels, etc.

Does your remuneration scheme include bonuses in cash?

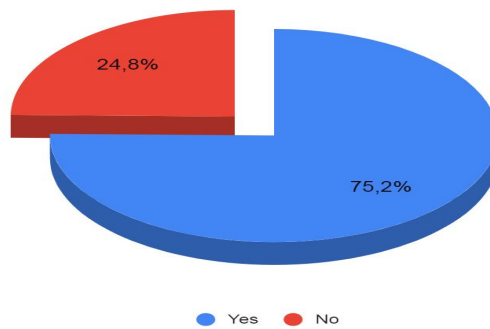


Figure 2. Bonuses in cash

As it is obvious in the above presented chart, the remuneration scheme includes bonuses in cash in 75% of cases in the survey sample. Such an indicator implies that the general practice of enterprises

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characterizes the bonus in cash. On the other hand, other techniques mentioned by different theories of motivation, reinforcement, content and process theories are rarely taken into consideration by enterprise management. Such a result can also be interpreted as a significant lack of application of an adequate motivation scheme. The needs and requirements of workers may therefore not be taken into account, which leaves much room for improvement. However, the survey shows that roughly 40% of enterprises do not have human resource department at all, while less than 10% of respondents claimed to have one position dealing with human resources only.

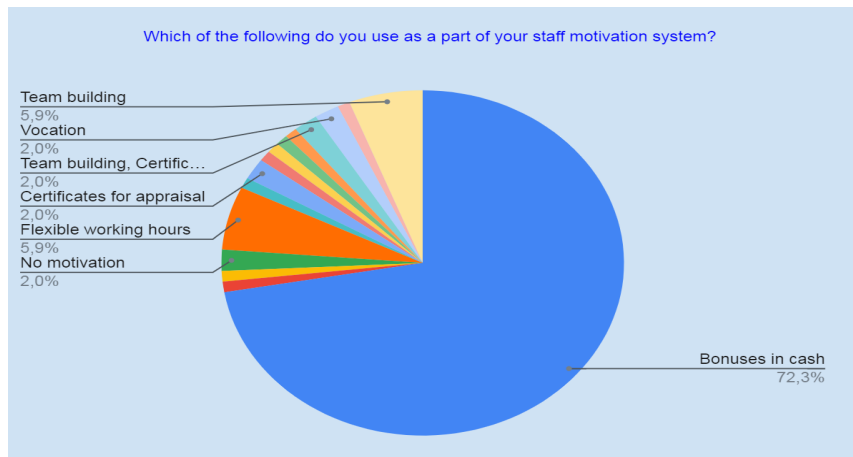


Figure 3. Indicators of staff motivation system

Data in figure 3 reinforces the results of previous one that is bonuses in cash prevails dominantly the motivation system in investigated enterprises. This would also mean that 72% of respondents do not apply the motivation system at all. However, we have known for fifty years that money alone does not motivate to perform. Dissatisfaction with financial means evidently demotivates. Satisfaction with money is, however, mainly a "hygiene factor," as Herzberg called it in his book "The Motivation to Work" long time ago. The management of Kosovo enterprises is therefore advised

to look after the employee needs, whatever they are. Hence, the manager must find what really motivates the employees. So, they must identify what their needs, desires and goals are. To understand if employees are motivated and what motivates them, management should use different techniques, such as: employee surveys assess their behavior in different work situations, measure their work effort, etc. However, plenty of research shows that productivity enhancing interventions such as individual pay incentives increased productivity. Financial incentives had by far the biggest effect on productivity of all involvements, which were more effective than other initiatives (Judiesch).³ Concerning the turnover, below are shown the results of survey that indicate an acceptable range of reported turnover in all enterprises.

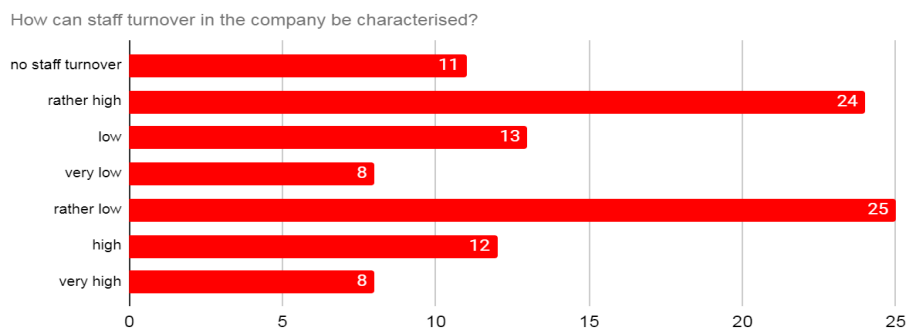


Figure 4. Staff turnover rates

The extent to which compensation plays a role in retaining employees is another matter in relation with voluntary turnover. In the past, evidence showed that compensation was not a strong forecaster of employee turnover. More lately, Schmidt (2009) argued that if the employer can manage to share some of the company's profit with employees by increasing their wages or give 13th salary, it will help retain high performing

³ Judiesch cited in Rynes, Gerhart, and Minette, (2004), "The importance of pay in employee motivation: discrepancies between what people say and what they do, research paper, pp.383, Wiley.

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employees. In turn, the return on investment for retaining talented employees surges job performance and overshadows compensation cost. However, it is worth mentioning that high turnover was resulted to take place in private ownership enterprises, whereas low turnover responses were mainly given by state/municipal ownership enterprises. Though, the enterprises belonging to private sector are threatened by turnover more than enterprises that operate in public sector. More than half of respondents advised that the range of staff turnover is between 2% and 5% per year. While, 10% of investigated enterprises state that staff turnover is more than 10% annually. Nonetheless, employees belonging to customer service sectors might experience more stress related to their jobs than other industry peers, which we assume could be a reason for our cases listed with high turnover. Despite, the category with the highest turnover rate are reported to be employees among five categories, which is presented in below chart.

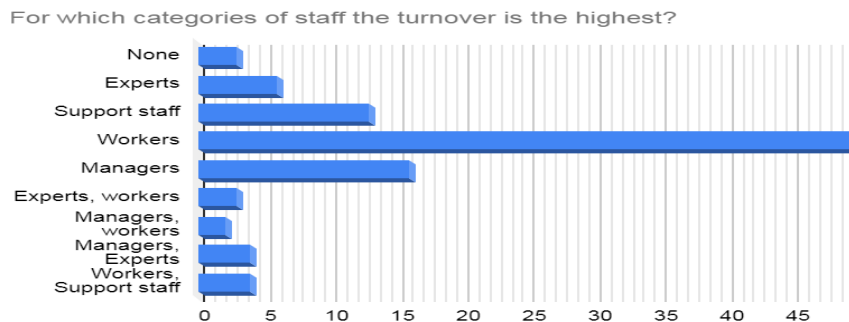


Figure 5. Categories of staff turnover

While experts and managers seem to be lower affected by turnover, workers and support staff register higher turnover in all enterprises. As per literature review, some of the identified common factors contributing to employee turnover could relate to whole dissatisfaction with the job and low motivation at workplace. The failure of organization in understanding the causes, consequences, and the cost implications of turnover could result in a weakening of the track for development strategies. Whereas, Maslow and Alderfer's ERG theory is based on each employee needs that differ from one

to another, 75% of respondents claimed that they use bonuses in cash as a tool to motivate workers. Other variables such are: team building, vocation, flexible working hours and certificates for appraisal are reported to not being used as part of the enterprises' motivation systems. In this respect, there is much space to be done for their motivation systems to get improved. Most probably, we consider that the application of content and process theories is very small or not practiced at all by enterprises.

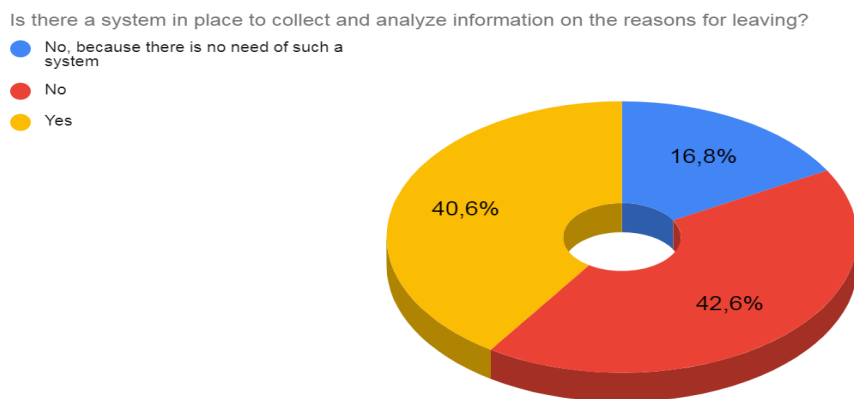


Figure 6. System to record reason for leaving

As advised by many authors within the motivation literature, management measurements should include an integrated approach concerning control of turnover. Ideally, it should first identify the cause of the problem, doing a survey, studying the statistics, registering and memorizing the reason when people leave, analyze information of turnover, ect. In our study, majority of respondents confirmed that either they do not pose with the system to collect and analyze information on the reasons for leaving or they do not have such systems at all. On the other hand, 43% roughly of investigated enterprises responded that they do have such systems. In our data analysis, such responses refer mainly to medium and large sized enterprises operating in industry

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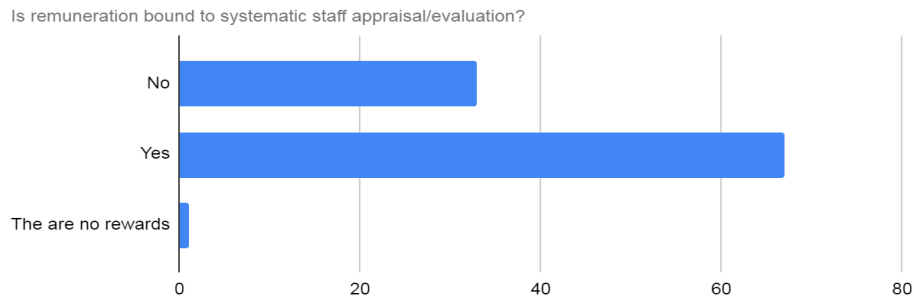


Figure 7. Link between remuneration and staff appraisal

As per results shown in above chart, majority of respondents seem to use evaluation of performance as a tool for remuneration policy. As we pointed out in theoretical framework, performance-based payment / remuneration may encounters as well with the term P4P (pay for performance), which is considered a concept of human resource motivation, in which process workers receive compensation satisfactory for their work they do in the organisation. Hence, the organisations that claim the remuneration is bound to staff evaluation are in good track concerning this matter. On the other hand, roughly 27% of respondents answered negatively regarding relation of remuneration with appraisal/evaluation. These organizations should be encouraged to focus more on this topic as well as on all aspects of remuneration policy.

Does the remuneration policy depend on the annual profit of the company?

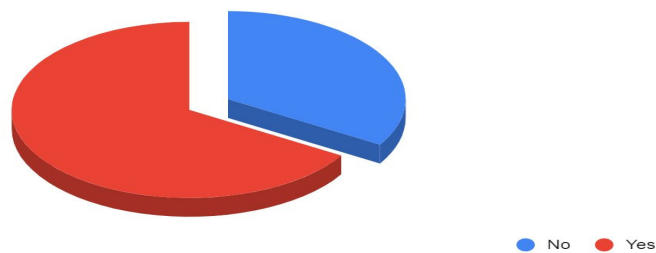


Figure 8. Link between remuneration and annual profit

Regarding whether the remuneration depends on the annual profit of the enterprise, 65% of the respondents responded positively, while the rest say that the remuneration is not related to the annual profit of the enterprise. This response associated with the response of 75% of respondents who state that to motivate workers they use bonuses in cash, it can be easily understood that if the enterprise does not have annual profits, workers are left without rewards and the motivation scheme becomes invalid. However, the promised bonuses must inevitably be kept, otherwise they lose their motivational meaning and concept. Results show that money is not the only motivator and it is not the primary motivator for everyone. However, there is evidence that money is an important motivator for most people.

Conclusion

Based on presented theoretical aspects and empirical findings, we may conclude that theoretical models, including ways and techniques do not apply in practice. None of the motivation systems as explained in theory are applicable in practice. However, some techniques apart are being used by management for motivation of employees. Hence, we advise that management of enterprises has to do much more to identify the people's needs to be able then to follow what motivates a group of workers or each employee. The content theories including its techniques are therefore considered to be most useful for development of labor force and enhancement of motivation in economy of Kosovo.

Since the bonuses in cash are used primarily as a tool to motivate employees among many other variables, managers did not bother to look after their needs or what they really want. Drucker (2001, pp. 71-78), highlights that management should begin with these questions: What workers want? What are its values? What are its goals? And this is neither "Theory X" nor "Theory Y," nor any other specific theory of managing people. The fact is that people are motivated to do what is in their best interests. Therefore, we recommend to management of enterprises to set the objectives in a way that would help employees identify their welfare needs within the goals frame of the organization. When this happens, employees

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will naturally feel motivated to work hard, because it is in their best interest to do so and management job is considered to be in good track.

Referring to research question, the majority of enterprises in Kosovo use mostly financial compensation as an incentive to motivate employees in workplace. Bonuses in cash are a preferred tool to motivate their employees since most of enterprises claimed so. They also seem to perceive a positive relationship between remuneration and staff evaluation. Therefore, we consider it is important to develop compensation structures that motivate team members based on performance goals, especially for those that do not. These incentives could include cash awards, stock options, and non-cash rewards. The variety of goal-based rewards should also be expanded to include recognition of performance and an increase in non-cash benefits. To address these incentives, it is crucial to have regular sessions to increase employee knowledge about their goals and associated rewards. What if organisations do not perform well? Would they be able to deliver promised bonuses? However, to motivate employees, managers need to reward achievements and progress toward goals by employees much more frequently than once a year. Indeed, we recommend that rewarding performance needs to take place on a daily basis.

Pertaining to staff turnover, the literature based on various studies indicates that the lower turnover rates are the higher is satisfaction of employees. However, answer to our rhetoric question: *“why employees continue to leave their jobs even though reported to be relatively happy with their jobs”*, is rather complex. The employees often are afraid to declare what they really think and feel regarding worker-enterprise relationship. Since, it has to do with perceptions and hindered patterns of mental thinking, the real concerns tend to remain hidden. In our case, one may consider that employees tend to enjoy their jobs. This fact is as per management perception, since the survey was sent electronically and we assume it was filled by managers or management. The turnover average rate in investigated enterprises is within a natural range (3-5%). Meanwhile the workers resulted to be attacked by turnover mostly among five different categories, management is advised to make the employees aware that rewards are recognition of a job well done and not simply the goal of doing the work. Recognition is one of the most powerful activities that a manager can do to

improve morale and enhance motivation. In most work environments, this activity is underutilized and even randomly applied. Yet, we assume that due to corporate culture people are not given chance to express their unfulfilled needs or other worries they may have in workplace. Once they are offered better working conditions, which they currently lack, they may leave. It is therefore recommended that each enterprise focus on the individual needs of each employee. Content theory, as well as process theories, must be taken seriously into consideration to be applied in practice, so that workers as the most threatened category in terms of turnover would have opportunity to express themselves freely about their needs and feelings. So, it could be addressed and potentially fulfilled. In this way, on the one hand superiors would avoid taboo topics and eventual employee fear of the consequences of free expression of personal concerns. On the other hand, information on their needs is an important factor in planning strategies to fill the relevant gaps.

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